

# M e m o r a n d u m

To: Panel Members Date: November 20, 2003

From: Diana Torres, Manager Analyst: K. Campion

Subject: One-Step Agreement for **Ross Stores, Inc.**

## **CONTRACTOR:**

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition  
Training In High Unemployment Areas Of California
- Legislative Priorities: Locating Into Or Expansion Within California  
Stimulating Exports/Imports
- Type of Industry: Retail Distribution
- Repeat Contractor: No
- Contractor's Full-Time Employees
  - *Worldwide:* 22,500
  - *In California:* 3,000
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

## **CONTRACT:**

- Program Costs: \$629,200
- Substantial Contribution: \$0
- Total ETP Funding: \$629,200
- Total In-kind Contribution: \$907,000
  - *Trainee Wages Paid During Training:* \$775,000
  - *Other Contributions:* \$132,000
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Riverside

## **INTRODUCTION:**

Ross Stores, Inc. (Ross) is an off-price retailer that sells women's and men's clothing, jewelry, accessories, lingerie, fragrance, children's apparel and shoes. This Agreement is intended for newly hired employees of the company's new start-up distribution center located in Perris, California. The Perris distribution center opened for production the first of September 2003 and distributes merchandise to other Ross facilities located in Arizona, Nevada, New Mexico, Washington, Oregon and Texas. Therefore, the proposed applicant is eligible for ETP funding under Title 22, California Code of Regulations, Section 4416 (d)(1), as a facility that provides internal corporate support functions to permanent company locations outside of California.

Ross Stores, Inc. proposes to train 1,100 new employees in business skills which includes warehouse management system techniques for the new start-up facility.

## **MEETING ETP GOALS AND OBJECTIVES:**

Ross Stores, Inc. proposes training that will further the following ETP goals and objectives:

- 1) This project meets ETP legislative mandate to train new employees of a company that is expanding its distribution centers in California and one that provides high-skilled jobs for frontline workers.
- 2) Training will increase the impact of ETP funds on the California economy by encouraging the growth of a California-based business.
- 3) Increase the skills and employability of the workforce in areas of high unemployment.

**TRAINING PLAN TABLE:**

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Average Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 Retraitees	MENU: Business Skills	1,100	24 – 80	0	\$572	*\$10.98 – \$14.75
					<b><u>Prevalent Hourly Wage</u></b> \$12.50	
					<b><u>Average Cost Per Trainee</u></b> \$572	
<b><u>Health Benefits Used To Meet ETP Minimum Wage:</u></b> *Health benefits of at least \$1.73 per hour may be used to meet the ETP minimum wage requirement of \$10.98 for Riverside County.					<b><u>Turnover Rate</u></b> .05%	<b><u>% Of Mgrs &amp; Supervisors To Be Trained:</u></b> 0%
<b><u>Other Employee Benefits:</u></b> In addition to medical, dental and vision benefits, Ross also offers: 401(k) savings plan; employee stock purchase plan; dependent day care spending account; health care spending account; and vacation pay, holiday pay, and sick leave pay.						

**COMMENTS / ISSUES:**

➤ ***Frontline Workers***

All participants in this project meet the Panel definition of frontline workers under Title 22 California Code of Regulations (CCR), Section 4400(ee).

➤ ***Production During Training***

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold

➤ ***High Unemployment Area of California (HUA)***

Although the city of Perris in Riverside County has an unemployment rate at least 25 percent higher than the state average of 6.1 percent, the proposed Contractor is not requesting a waiver to the ETP minimum wage requirement.

➤ **Facility Relocation**

The Panel currently has a policy regarding business relocations. This policy provides: "The Panel shall encourage economic development when it adds jobs or preserves existing jobs in California. The Panel shall not use its funds to encourage business relocations from one California location to another."

Company representatives report that the new, 1.4 million square foot Perris distribution center is a replacement facility for its smaller and technologically obsolete, 320,000 square foot facility in Newark, California which is 20 years old. The company has outgrown the Newark facility due to exponential growth in customer demand and had no room to expand in the immediate area. The company had entertained competing offers from neighboring States, but chose the Perris location for two reasons: 1) the availability of skilled labor (Perris has a very high unemployment rate) to staff the much larger Distribution Center for future growth and 2) the opportunity to utilize Employment Training funds to train the local employees in new technology and processes. According to company representatives, if Ross Stores did not have the opportunity to move to Perris, the company would have moved the Distribution Center out of the State of California. The Newark facility is scheduled to be closed when Perris achieves sufficient operational performance.

Ross Stores officials took several steps to ensure employment for all 620 employees at the Newark facility. First, Company representatives state that in April of 2002 Ross Stores gave notice to all staff of the intent to close the Newark facility, when Perris became fully operational with the target being the end of 2003, and that they intended to move all jobs to the new Distribution Facility in Perris. Secondly, company representatives stated that they offered every Newark employee a job at the new Perris facility with a guarantee of the same pay and benefits. Those employees that chose not to relocate were offered up to six weeks of severance pay. According to company representatives, approximately 150 Newark employees did accept the company's offer to relocate to the new Perris Distribution Center. The transfer employees from Newark are being extensively retrained on state of the art new equipment and processes at company expense.

**PROPOSED ACTION:**

Staff recommends that the Panel approve this Agreement if funding is available, the project meets the Panel priorities, and the Panel determines that this proposal meets the Panel's policy concerning business relocations.

**NARRATIVE:**

Ross Stores, Inc., began in 1982 with six stores in the San Francisco Bay Area. By 2002, there were 507 Ross Dress for Less stores in 23 states. Ross Stores' current headquarters are in Newark, California, where the company also operates a distribution center. Due to the limited space of the northern California distribution center and because this facility was unable to incorporate newer technology, the company announced in April of 2002 that it would be relocating the distribution center to Perris, California. The new Southwest Distribution Center, which is located 70 miles southeast

**NARRATIVE:** (continued)

of Los Angeles, encompasses 1.3 million square feet of space that includes 26 miles of conveyor belts. This start-up facility opened in July 2003 with testing of the equipment and training for supervisors and managers. By the first week of September, the facility began production distribution and currently has approximately 275 workers. Ross Stores representatives project that this new distribution center will create 1,500 new jobs by mid-2004.

This facility receives merchandise from manufacturers, vendors, and other retail stores, and distributes the merchandise to other Ross facilities located outside of California. Ross Stores has invested in excess of \$135 million to open the Perris distribution facility including, what company representatives identify as, a state-of-the art warehouse management system and production conveyor system. The company projects that the new California center will help decrease turnaround time in getting merchandise from vendors to Ross stores in the western states. The new warehouse management system is projected to improve product flow, management decision-making and accounting.

Effective distribution is a key strategic element and goal of Ross Stores. An effective and fast moving distribution system for a complex mix of products is required to distribute the right merchandise to each store at the right time. New employees must be formally trained in Ross' warehouse management system in order to be successful in their new jobs. Therefore, Ross Stores requests ETP assistance to train 1,100 new merchandise processors, support staff, and material handlers in business skills.

Merchandise processors are warehouse workers who receive, store, select, sort and pack goods for delivery to stores and other Ross distribution centers. These employees need training in machine operation, warehouse planning and layout, inventory control, troubleshooting, merchandise management system procedures, receiving, sorting and scheduling methods, transferring merchandise, tilt tray pack procedures, use of scanning system, and storage procedures. Merchandise processor support staff work as expeditors and ticket coordinators, insuring that shipments match buyers' orders. Training includes merchandise management system procedures, expediting and inspection processes, and documentation procedures. Material handlers move goods within the distribution center. These workers will be trained in equipment and machine operation skills, technical terminology skills, warehouse planning and layout processes, material handling, receiving methods and inventory control procedures.

***Supplemental Nature of Training***

Panel Legislation requires that ETP funds be used to supplement, rather than displace, funds available through existing programs conducted by employers and government-funded programs. The proposed training has been designed for the start-up phase of this new distribution center. As such, company representatives report that no formal training currently exists at the facility. ETP funds are intended to help support the training of new employees projected to be hired in the next six months and will provide the foundation for a formal training culture at this start-up facility.

Company representatives report that Ross Stores will incur the costs of training supervisors and managers and also will provide the on-the-job training portion of the training of its front-line workers. Following completion of the training proposed under this

Agreement, Ross Stores officials report that the company will continue to provide the proposed training at its own expense.

**SUBCONTRACTORS:**

National Training Systems in Laguna Niguel, California - \$75,504 for project administration.

**THIRD PARTY SERVICES:**

The applicant reports that National Training Systems assisted with the completion of the application documents for an amount not to exceed three percent of earned funds.

**ROSS STORES, INC.**

CURRICULUM

**Class/Lab**  
**Hours**

**24-80      BUSINESS SKILLS**

Equipment and machine operation  
Material Handling procedures  
Technical terminology  
Warehouse planning and layout  
Inventory control procedures  
Troubleshooting process  
Use of warehouse management system  
Receiving methods  
Scheduling process  
Shipping procedures  
Documentation requirements and process  
Procedures for staging shipments  
Transferring merchandise  
Use of equipment for second level sort  
Method for verifying unit identifications  
Bulk shipment procedures  
Use of tilt tray pack  
Use of scanning system  
Storage procedures  
Expediting process  
Inspection methods